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Weekly Contributions

[redacted] ORE, CIA

3 May 1949

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This week two developments in Latin America are found to be of more than usual interest: Argentina's economic problems have become so serious that they could very well get out of hand (p. 4), and the problem of Venezuelan political prisoners (p. 2) now is much less likely to be brought before the UN by Uruguay.

CURRENT DEVELOPMENTS

GENERAL: A recent Venezuelan plan for releasing political prisoners makes it less likely that Uruguay will bring this issue before the UN (p. 2).

NORTHERN DIVISION: Cuba's popular Eddie Chibás is expected to realize political advantages from his imprisonment (p. 2). Netherlands' est Indies' naval strength may be increased (p. 3).

SOUTHERN DIVISION: In Bolivia disturbances and the reinstitution of a state of siege followed the recent elections (p. 3). Argentina's economic problems are becoming more serious (p. 4). The Argentine Government has taken further steps against Communism (p. 3).

SPECIAL SUBJECTS

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(CIA Working Paper)**CONFIDENTIAL**

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1. GENERAL: The airing in the UN of an inter-American quarrel now is less likely since a program for the release of political prisoners has been decided upon by the Venezuelan junta, according to which 30 will be released 1 May, several the middle of May, and the remainder (about 50) by decree of political amnesty on 5 July. The previous release of 23 prisoners on 19 April, following conversations with the US ambassador, was evidently a first gesture in response to the threat that the Uruguayan delegation would request the UN General Assembly to investigate the violation of human rights in Venezuela. The Uruguayan delegation has now reconsidered its position, after discussion with US delegates, and it is likely that Uruguay will decide not to raise the issue of political prisoners in the General Assembly at this time. The future policy of Uruguay will doubtless be conditioned by the promptness and effectiveness with which Venezuela carries out its informal commitment to release the prisoners in the manner above outlined.
2. CUBA: Chibás' Prison Sentence a Boost to his Influence
 The sentencing of ex-senator Eddie Chibás, leader of the Cuban People's Party, and popular radio commentator, to six months in prison last Wednesday by a Court of Urgency of the Havana Provincial Court, may be expected further to increase this leader's influence. Chibás was charged with defaming the character of three Supreme Court judges whom he had accused of accepting bribes from the Cuban Electric Company to make a decision in favor of the company. The specific accusations were made in radio broadcasts on 20 and 27 February, in which Chibás denounced not only dishonesty in the judiciary system but also the Cuban Electric Company, which is one of the most disliked enterprises in Cuba. Cuban electric service is poor, and the rates are three times as high as customary rates in the US and twice as high as rates in most Latin American countries. The court decision attacked by Chibás had declared legal three 1947 decisions of the Central Public Service Commission which granted electricity rate increases amounting to 70 percent of the existing rate.
 A significant aspect of these developments is that Chibás, who was a presidential candidate in the 1948 election, is already being mentioned as a possible major candidate in the 1952 presidential election. He is known as an extremely honest and forthright man (his supporters regard him as one of the few incorruptible men in Cuba), and he has wielded increasing influence over

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public opinion recently because of his outspoken denunciation of governmental corruption. His current role as martyr in the cause of civic honesty will tend to enhance his popularity with the sensation-loving Cuban electorate.

3. NETHERLANDS WEST INDIES: Increase in Naval Strength

The District Intelligence Officer of the 10th Naval District has been informed by a "very reliable source" that the Dutch Naval Chief of Staff has recommended to the Governor of Curaçao that naval forces in the Netherlands West Indies be increased to include one destroyer, two corvettes, three submarines, one company of marines, and an unspecified number of planes. The Dutch are reported to consider the recommended increase in naval forces necessary because of revolutionary tendencies in Venezuela.

[redacted] believes that existing inter-American machinery for the pacific settlement of disputes is adequate for the protection of the N.W.I from revolutionary incursions from neighboring Venezuela. An increase in Dutch armed strength in the area would, however, be helpful in reducing enemy sabotage capabilities vis-à-vis the strategic oil refineries, provided Dutch officers and men received the appropriate training for this type of work.

4. BOLIVIA: Disturbances following the congressional elections of 1 May have forced the government to reinstitute a country-wide state of siege by which the situation has been controlled to date. The disorders, led by MNR demonstrators, have resulted in the death of six persons and the wounding of more than fifty, but are only a continuation of a tense situation existing for several months (see p. 6, this issue). Although the final results of the election have not been determined as yet, it appears that the administration has not been weakened significantly -- either by the elections or by the accompanying disturbances.

5. ARGENTINA: The dissolution of the Soviet-sponsored Slav Union is the most significant of several anti-Communist measures recently undertaken by the Perón government. There is good reason to believe that the Soviets had chosen the Slav

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organization — which coordinated the activities of an estimated 90,000 dues-paying members of subsidiary groups — in preference to the Argentine Communist Party as the primary instrument for the accomplishments of its objectives in Argentina, which are thought to include preparation for organized sabotage. The outlawing of the Slav organization has provoked a renewed attack by the Argentine Communist Party on the Perón regime. Intensified repression of Communists in Argentina will certainly impair the effectiveness of their anti-US activities. Furthermore, in view of the current Argentine need for US economic cooperation and assistance, Perón's commitment to a more definite anti-Communist stand may indicate that he does not contemplate, for the immediate future, further use of his Third Position foreign policy — "intermediate between Communist and capitalist imperialisms" — as a device for resisting US influence in the Hemisphere.

6. Retrogression in Economic Policy

Much confusion is apparent at the policy-making level of the Argentine Government, which during the past few days has demonstrated inability and unwillingness to carry out the economic policies — internationally more cooperative and domestically more realistic — tentatively initiated during the first quarter of 1949.

To a considerable extent this failure appears to be attributable to Perón's unwillingness to curb the influence of his wife and her clique — including the Ministers of Treasury, Commerce, and Transportation — which bitterly oppose Foreign Minister Dramuglia and his efforts to correct Argentina's economic ills by effecting a more cooperative international trade and financial policy. Perón's reluctance to curb his wife's activities is strongly reinforced by his need for the important labor support which she contributes to the regime.

The failure thus far to reach a mutually satisfactory agreement with the UK in the current trade negotiations — because of sharp differences over the price to be paid for meat — contributes greatly to the present economic instability. Furthermore, the Foreign Minister has recently advised the US Embassy that commitments to provide relief to UK packers from heavy operating losses cannot be fulfilled until the negotiations with the UK have been completed. In taking this position — Chargé Day terms it deliberate stalling — the government risks possible suspension of operations by the packers which was recently narrowly averted by the provision of partial relief.

The Argentine President's failure to override a demand of his defense minister that Argentina apply for a \$10 million loan from the Export-Import Bank for steel-plant construction —

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despite the fact that such an application was clearly inopportune -- demonstrates both the President's inability to direct the affairs of state independently and the utter confusion which now prevails in Argentine Government operations. The Defense Minister was apparently acting on the assurance of the President of the National Economic Council that Ambassador Bruce had made all necessary preliminary arrangements for an Eximbank loan and that neither the Embassy nor the Department of State "knew the facts" in denying that such a loan could be obtained. The Department of State has subsequently affirmed to US Embassy Buenos Aires that Ambassador Bruce has neither made any arrangements for a loan nor even discussed the matter with Argentine officials.

In view of the continued economic deterioration in Argentina, in view of Perón's reluctance to curb powerful elements opposing reform of economic policy, and taking into account the general confusion prevailing in government operations, the danger exists that the situation may get so completely out of hand that Perón will either lose the power he now has or will resort to emergency authoritarian controls which could adversely affect US interests, US-Argentine relations, and Argentine relations with other Latin American republics.

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The Current Situation in Bolivia

(Summary: The Hertzog government, which appeared to be dangerously weak three months ago [redacted] (likely 1 Feb 49), is still very insecure even though it has gained some strength since then. It is true that slight gains were made by the formation of a coalition cabinet and by improved relations with Peru and Argentina. Against these gains, however, there must be recorded on the debit side of the ledger the serious labor unrest at the tin mines, the continuing possibility of revolutionary attempts by extremist groups, and increasing indications of forthcoming economic dislocations. Congressional elections, scheduled for 1 May, could reaffirm popular support for Hertzog's party (the PUSR), but there is a continuing danger that the extremist PIR and MNR may combine efforts to overthrow the government by force. Against this danger, the government counts mainly on the support of certain loyal key figures within the army. The survival of the present administration would be favorable to US interests in the area because the Hertzog regime, despite its weakness, has proved itself to be generally cooperative with US policies and objectives.)

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A broader basis of popular support was gained by the government when it formed a coalition cabinet on 5 March. All major parties except the PIR were represented, and many prominent political leaders were thus technically identified with the regime. The practical results of the coalition, however, have been less than the administration had expected because the several parties vigorously maintain their separate identities — opposing certain administration measures, refusing to form an electoral alliance for the May elections, and using their new position to help their own candidates for congress. Since MNR and PIR are not likely to be major contenders for undecided votes, any gains made by the coalition parties would probably be made at the expense of Hertzog's PUSR party. The government thus may have bought a measure of present security at the cost of future losses in congressional strength.

Bolivia's international relations have been improved lately by the clarification of outstanding problems with Peru and Argentina. An amicable exchange of notes with Peru regarding the alleged aid given MNR exiles

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caused that incident to be considered closed. Similarly, Argentina has offered to take measures to control the printing of MNR propaganda in that country. Although Bolivia still regards both countries with a certain amount of suspicion, the diplomatic exchange has had the effect of clearing the air, for the present at least.

The most vexatious problem confronting the Bolivian Government at present is the labor unrest and disorders at the tin mines, principally at the Patiño Catavi property. Agitators affiliated with the MNR remain in the mine area and as a result, there have been riots, instances of beating journalists and mine officials, and cases of minor sabotage. The government, after having ordered troops into the area, faltered in its determination to preserve order and has not seized the agitators. Meanwhile, mine operators — in response to rumors that the Ministry of Labor would decree a 30 percent wage increase — have stated that any increase in costs would necessitate a reduction in mining operations. A general cessation of marginal mining in Bolivia would reduce shipments to the US, which now receives a quarter of its tin requirements from that source.

These evident difficulties occasioned by labor unrest serve to emphasize the less obvious but underlying danger of revolutionary coups. Both the rightist MNR and the leftist PIR have substantial followings among the labor groups. Reports of subversive plots — especially by the MNR — are received frequently and there is a real possibility that one or another of these plots will be put into effect. The facet of the situation that has caused real concern to the Bolivian Government during the past week is the possibility of collaboration between the two dissimilar groups. Although this appears unlikely at first sight, since the two are ideological extremes, Bolivian political opportunism is so powerful a motive that MNR-PIR cooperation must be considered possible if the prospects for the success of their joint effort appear promising to them.

In addition to labor unrest, political uncertainty and revolutionary plots, the Hertzog regime faces future economic dislocations. It is true that economic conditions have been fairly satisfactory during the past year or so, and that present favorable factors include the completion of the Sucre extension of the Camiri-Sucre-Cochabamba pipeline and the granting of an Export-Import Bank loan to permit completion of the Cochabamba-Santa Cruz highway. Despite these facts, however, the trend of Bolivian mineral production is downward (only 5 Apr 49) and the decrease in world minerals prices has caused considerable pessimism. Bolivia's position is precarious because its production cost is so high that present production levels can be maintained only so long as world prices remain

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high. Realization of this fact by management some years ago resulted in failure to make adequate reinvestments, so that the gradual diminution of facilities was evident even before the recent drop in world metal prices. Bolivia's immediate economic future is thus quite dark and the development of transportation and agricultural production could — even if attained — only serve to soften the effects of a decline in the major industry --- mining.

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The Current Situation in Cuba

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The Cuban situation continues to develop along the lines indicated in [redacted] Weekly Contributions for 2nd Feb 49. The economic outlook for 1949 is less favorable, however, than Cubans had previously supposed. In the absence of US assistance, Cuban-US relations may be complicated.

The present administration appears stable, and conspiratorial maneuvers against President Prio have decreased. However, the Auténtico-Republican Party political alliance upon which the administration relies for much of its power has proven unreliable. The government's domestic policy has thus been one of political expediency and has been deficient in the leadership necessary for economic readjustments that will be required should sugar sales and prices decline. This situation worries many Cubans and has caused them to deny President Prio the degree of popular support which his plurality at the polls would otherwise have warranted. Despite this lack of popular support, however, the administration does not appear to be in any danger at the present time of being overthrown by conspiracy or political maneuvers.

The majority of Cuban economists now believe that the Cuban national income will decrease substantially in 1949. The 1949 sugar crop (the sugar industry gives direct employment to about one-third of the working population) is estimated at 5.9 million short tons, as compared with a 1948 crop of 6.675 million tons, and it is believed that even this reduced 1949 crop will substantially exceed demand under present world conditions. A substantial decrease in the price of sugar on the world market is thus anticipated.

Relations with the US may be affected by Cuba's uncertain economic future. A lessened demand for Cuba's sugar in the US and world market will probably impel Cuba to make its cooperative attitude toward the US more contingent upon an increase in Cuba's quota of the US sugar market and the granting of other concessions to the Cuban sugar industry. Thus, certain concessions to the US, such as the granting of US military aircraft the right to overfly Cuban territory without prior notification, may become more difficult to achieve. Certainly negotiations for such concessions will be more protracted and complicated. However, Cuba will continue to back the US against the USSR regardless of minor difficulties caused by this situation and is most unlikely to adopt policies inimical to US security interests.

Cuba's relations with other countries remain on the whole stable. The government, after considering the wisdom of breaking diplomatic relations with the USSR (see [redacted] Weekly 8 Mar 49), has decided against it, and has been content to warn the USSR of its disapproval of the espionage activities of Soviet diplomats in Cuba. Cuba has resumed relations with Paraguay

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and is considering doing the same with Venezuela. A motion recommending the breaking of diplomatic relations with the Dominican Republic is pending in the Senate. The Senate motion originated from the publication in the Dominican Republic of a book concerning conspiratorial activities in neighboring republics, and contains alleged insults of the Cuban Government and President Prio. Actually, however, Cuban-Dominican relations are less strained than they were a year ago.

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